

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 L-03 H-01
CIAE-00 INR-07 NSAE-00 ACDA-07 TRSE-00 OMB-01 /058 W
-----151234Z 046425 /11

R 151025Z FEB 77

FM AMEMBASSY COPENHAGEN

TO SECDEF WASHDC

INFO SECSTATE WASHDC 3989

C O N F I D E N T I A L SECTION 1 OF 2 COPENHAGEN 0930

EO 11652: GDS

TAGS: POL/, MILI, US, DA

SUBJ: DANISH DEFENSE MINISTER'S LETTER OF FEB 14 TO SECRETARY
BROWN

REF: COPENHAGEN 924

FOLLOWING IS TEXT OF SECOND LETTER DATED FEB 14 FROM MINISTER OF
DEFENSE ORLA MOLLER TO SECRETARY BROWN (PARA 3 REFTEL):

"DEAR MR. SECRETARY,

THANK YOU VERY MUCH FOR YOUR ANSWER DATED 8TH FEBRUARY
1977 TO MY LETTER OF 28TH JANUARY THIS YEAR WHICH I WROTE ON
BEHALF OF THE BELGIAN, THE DUTCH, THE NORWEGIAN MINISTER
OF DEFENCE AND MYSELF.

I VERY MUCH APPRECIATE THAT MY LETTER WAS REPLIED TO
SO QUICKLY AND THAT THE ANSWER HAS A POSITIVE AND PROMISING
CONTENTS.

YOUR REPLY HAS NOW BEEN PASSED ON TO MY COLLEAGUES IN
BELGIUM, THE NETHERLANDS AND NORWAY, AND I AM SURE THAT
BOTH YOU AND MY COLLEAGUES HERE IN EUROPE WILL FOLLOW
VERY ATTENTIVELY THE FURTHER DISCUSSIONS IN THE
PROJECT ORGANIZATION OF THE PROBLEMS MENTIONED IN THE
SUMMARY OF THE MINISTERS' MEETING IN BRUSSELS ON THE
17TH OF JANUARY THIS YEAR.

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IN YOUR ANSWER YOU ARE KIND ENOUGH TO MENTION THAT
I MAY CONTINUE TO FEEL FREE TO WRITE YOU DIRECTLY ON ISSUES
OF IMMEDIATE CONCERN ABOUT THE F-16 PROGRAMME.

THIS INVITATION I SHOULD LIKE TO MAKE USE OF
IMMEDIATELY, AS THERE EXISTS A PROBLEM WHICH - FOR THE
MOMENT - WORRIES ME A LOT AS DANISH MINISTER OF DEFENCE.

THE PROBLEM IS THE DANISH INDUSTRIES' PART OF THE

EUROPEAN COPRODUCTION OF THE F16 AIRPLANES.

IN PARA 3 OF THE SUMMARY OF THE BRUSSELS-MEETING PROBLEMS CONCERNING THE INDUSTRIAL PROGRAMME IN CONNECTION WITH THE F-16 PROCUREMENT ARE DESCRIBED AS THEY FOR THE TIME BEING APPEAR TO THE FOUR EUROPEAN COUNTRIES TOGETHER.

PARALLEL TO THIS I FIND IT NECESSARY, AT THE SAME TIME TO EXPLAIN TO YOU HOW THE SITUATION IN THIS FIELD IS AS FAR AS DENMARK IS CONCERNED AND SPECIALLY IN THE LIGHT OF SIGNING THE LETTER OF OFFER AND ACCEPTANCE WITHIN A FEW WEEKS.

THE SUBCOMMITTEE ON INDUSTRIAL MATTERS HAS AS YOU KNOW BEEN REQUESTED TO FOLLOW THE SITUATION AROUND THE INDUSTRIAL PROGRAMME CLOSELY AND CARRY OUT AN ANALYSIS OF THE CO-PRODUCTION SITUATION AS SOON AS POSSIBLE. FOR THAT REASON RELIABLE FIGURES FOR THE OFF-SET VALUE OF CONTRACTS AWARDED AND PLANNED HAVE BEEN REQUESTED BY THE SUBCOMMITTEE, AND IT WAS EXPECTED THAT THE US AUTHORITIES COULD FURNISH SUCH FIGURES IN JANUARY THIS YEAR. HOWEVER, AT THE SUBCOMMITTEE MEETING ON THE 25TH OF JANUARY A US REPRESENTATIVE FROM THE SYSTEM PROGRAM OFFICE ANNOUNCED THAT IT WOULD NOT BE POSSIBLE TO GIVE AN EXACT VIEW OF THE SITUATION UNTIL JUNE.

PRESUMABLY MOST OF THE CONTRACTS, WHICH ARE INCLUDED IN THE PRESENT CO-PRODUCTION PLAN, WILL BE AWARDED BEFORE THIS MONTH, AND CONSEQUENTLY IT WILL NOT BE POSSIBLE TO MAKE ADJUSTMENTS AFTER HAVING RECEIVED THE EXACT VIEW, EVEN IF SUCH ADJUSTMENTS WERE FOUND DESIRABLE IN ORDER TO MAINTAIN A PROPER COPRODUCTION

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BALANCE BETWEEN THE EUROPEAN COUNTRIES. FURTHERMORE THE PRESENT PLANNING FORESEES SIGNING BY THE EUROPEAN COUNTRIES OF THE LETTERS OF OFFER AND ACCEPTANCE BEFORE APRIL THE 1ST, OR IN OTHER WORDS BEFORE THE CO-PRODUCTION SITUATION CAN BE EVALUATED.

AS FAR AS DENMARK IS CONCERNED THIS SITUATION IS MOST UNSATISFACTORY. ACCORDING TO OUR BEST JUDGMENT, THE OFF-SET VALUE OF AWARDED DANISH SUBCONTRACTS FOR THE TIME BEING ONLY AMOUNTS TO APPROXIMATELY 28 PCT. OF THE PROCUREMENT VALUE OF OUR F-16 AIRPLANES WITH ASSOCIATED EQUIPMENT, AND IF THE CONTRACTS NOW BEING NEGOTIATED WITH DANISH FIRMS ARE ALL AWARDED, THE OFF-SET VALUE WILL INCREASE TO APPROXIMATELY 40 PCT. FOR POLITICAL REASONS IT IS, HOWEVER, ABSOLUTELY NECESSARY FOR THE DANISH GOVERNMENT TO BE SURE THAT DENMARK WILL GET THE 58 PCT. OFF-SET VALUE ORIGINALLY PLANNED FOR A PRODUCTION OF 1,000 AIRCRAFT, BEFORE THE LETTER OF OFFER AND ACCEPTANCE IS SIGNED BY ME.

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 L-03 H-01
CIAE-00 INR-07 NSAE-00 ACDA-07 TRSE-00 OMB-01 /058 W
-----151233Z 047276 /11

R 151025Z FEB 77
FM AMEMBASSY COPENHAGEN
TO SECDEF WASHDC
INFO SECSTATE WASHDC 3990

C O N F I D E N T I A L SECTION 2 OF 2 COPENHAGEN 0930

IN SPITE OF THIS SITUATION DENMARK HAS RECENTLY
ACCEPTED A PLAN FOR THE PRODUCTION OF THE RADAR-EQUIPMENT
FOR THE F-16, ACCORDING TO WHICH A LARGE PART OF THE CO-
PRODUCTION IS PLACED IN BELGIUM, ALTHOUGH THIS COUNTRY
SEEMS TO HAVE PASSED THE 58 PCT. ALREADY. WE DID THAT
BECAUSE WE DID NOT WANT TO HURT OUR PARTNERS, BUT IT WAS
NECESSARY FOR DENMARK TO MAKE THE CONDITION FOR THE
ACCEPTANCE THAT THE AIS AND OTHER SUPPORT EQUIPMENT AS
SOON AS POSSIBLE BE ADDED TO THE CO-PRODUCTION PLAN AND
THAT NORWAY AND DENMARK BE GIVEN PREFERENCE TO THE
CONTRACTS WHICH CAN BE AWARDED FOR THE SUPPORT EQUIPMENT.

IN ORDER TO GET A BETTER BALANCE OF THE OFF-SET
I WOULD FURTHER SUGGEST THAT THE US CONTRACTORS BEFORE
THE SIGNING OF THE LETTER OF OFFER AND ACCEPTANCE PLACE
ORDERS FOR INITIAL SPARES WITH DANISH INDUSTRY.

IN THIS CONNECTION I SHALL DRAW YOUR ATTENTION
TO THE PRODUCTION OF THE NEWLY CHOSEN HIGH TECHNOLOGY
EJECTION SEAT MADE BY DOUGLAS AIRCRAFT COMPANY, A
DIVISION OF MCDONNELL DOUGLAS CORPORATION. WE KNOW
IT IS GFAE AND THINK THAT THIS ITEM COULD FULFIL SOME
OF OUR REQUIREMENTS CONCERNING CO-PRODUCTION. AS THE
SEAT IS TO BE USED IN MANY AIRCRAFT, THE PRODUCTIO
LINE MAY BE LONG AND THEREFORE FORM THE BASIS OF A
CONSIDERABLE CONTRACT. IN CONNECTION WITH THE DANISH
NAVY'S PROCUREMENT OF THE HARPOON MISSILE WE HAVE MADE
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AN OFF-SET AGREEMENT WITH MCDONNELL DOUGLAS ALSO COVERING CO-PRODUCTION ON A COMPETITIVE BASIS. THE COOPERATION BETWEEN MCDONNELL DOUGLAS AND DANISH INDUSTRY WITHIN THE AGREEMENT ABOUT HARPOON IS VERY GOOD. THIS IS THE BACKGROUND FOR OUR WISH TO CO-PRODUCE PARTS OF THE EJECTION SEAT. I THEREFORE PROPOSE TO PUT THE EJECTION SEAT ON THE CO-PRODUCTION PLAN FOR DENMARK. IT WILL ALSO BE NECESSARY VER SOON TO MAKE A JUDGMENT FOR THE DOLLAR VALUE OF SUCH A CO-PRODUCTION.

BY DOING SO I HOPE THAT DNMARK CAN FINALLY ARRIVE AT THE 58 PCT. OFF-SET PRODUCTION VALUE, OR IN OTHER WORDS THAT WE CAN GET CONTRACTS FOR APPROXIMATELY 50-60 MILL. DOLLARS MORE THAN THE AMOUNT OF MONEY NECESSARY ATO ARRIVE AT THE 40 PCT. LEVEL.

AS I HAVE STATED ABOVE IT IS IMPERATIVE FROM A POLITICAL POINT OF VIEW THAT DENMARK IS ASSURED OF AN OFF-SET PRODUCTION AMOUNTING TO NOT LESS THAN 58 PCT OF THE DANISH PROCUREMENT EXPENSES RELATED TO OUR F-16 PROGRAMME BEFORE THE LETTER OF OFFER AND ACCEPTANCE CAN BE SIGNED BY DENMARK. IN ORDER TO AVOID A DELAY IN OUR SIGNING, I ASK YOU KINDLY TO CONSIDER THE POSSIBILITY OF AN ASSURANCE FROM THE US GOVERNMENT TO THE ABOVE-MENTIONED EFFECT IN THE NEAR FUTURE.

FINALLY I WANT AGAIN TO ASSURE YOU THAT I ATTACH VERY GREAT IMPORTANCE TO THE SUCCESS OF THE F-16 PROGRAMME, SINCE A FAILURE WOULD HAVE VERY PRONOUNCED REPERCUSSIONS ON THE FUTURE COOPERATION IN THE MATERIEL AREA WITHIN NATO. BUT ONE OF THE CONDITIONS FOR SUCH A SUCCESS IS A DISTRIBUTION OF THE CO-PRODUCTION, WHICH IS AN ACCORDANCE WITH THE MEMORANDUM OF UNDERSTANDING OF THE F-16 PROGRAMME AND IS CONSIDERED TO BE FAIR AND EQUITABLE BY ALL THE PARTICIPATING GOVERNMENTS.

SINCERELY YOURS

/SINGED/

ORLA MOLLER"

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, DIPLOMATIC COMMUNICATIONS
Control Number: n/a
Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COPENH00930
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770053-0637
Format: TEL
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770242/aaaabkrv.tel
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Litigation History:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 COPENHAGEN 924
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3323010
Secure: OPEN
Status: NATIVE
Subject: DANISH DEFENSE MINISTER'S LETTER OF FEB 14 TO SECRETARY BROWN
TAGS: MPOL, MILI, US, DA, (BROWN, HAROLD), (MOLLER, ORLA)
To: DOD
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3847cec6-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009